

**PUBLIC DISCLOSURE**

**FEBRUARY 14, 2011**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**MERCANTILE BANK AND TRUST COMPANY**

**61 BROOKLINE AVENUE**

**BOSTON, MA 02215**

**Division of Banks**

**1000 Washington Street, 10<sup>th</sup> Floor**

**Boston, MA 02118**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks (the "Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Mercantile Bank and Trust Company** (or the "Bank") prepared by the Division, the institution's supervisory agency, as of **February 14, 2011**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

### **INSTITUTION'S CRA RATING: "Outstanding"**

An institution in this group has an excellent record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The rating is based on the following findings:

- The average net loan-to-deposit ratio is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size and assessment area credit needs.
- A majority of the Bank's loans were originated within the assessment area.
- The distribution of small business and home mortgage loans reflects an excellent penetration among businesses of different sizes and borrowers of varying income levels, particularly those of low- and moderate- income.
- The geographic distribution of the Bank's small business and home mortgage loans reflects an excellent dispersion of lending throughout the assessment area.
- The Bank's fair lending policies and procedures are considered adequate and the Bank has received no CRA related complaints.

Per management's request, investments and services were reviewed and supported the Bank's overall performance rating of Outstanding.

### **SCOPE OF EXAMINATION**

This performance evaluation assesses the Bank's performance under the Small Institution Test.

The Lending Test focused on small business and home mortgage lending. The Bank's loan portfolio consists primarily of small business loans, as a percentage of the total loan portfolio. Therefore, greater emphasis was placed on the Bank's commercial lending performance. Small business loans for the purpose of this evaluation include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. The Bank is not currently required to collect and report small business loans under the CRA based on its status as a Small Institution. The Bank's small business loan data was derived from internal Bank reports of commercial loans originated in 2009 and 2010. In this evaluation, comparing the Bank's small business lending activity to the aggregate data was not appropriate, as the Bank did not report its small business loans. Instead, the Bank's small business lending performance was compared to pertinent 2009 and 2010 demographic information.

Home mortgage lending was also reviewed during this evaluation. The analysis included full-year data originated by the Bank in 2009 and 2010, reported on the Bank's Loan Application Register ("LAR") maintained pursuant to the Home Mortgage Disclosure Act ("HMDA"). Aggregate market HMDA lending data is available for 2009 and is used for comparison purposes within the evaluation. Aggregate market data includes lending information from all HMDA reporting lenders that originated loans in the Bank's assessment area.

Small farm loans were not considered since the Bank made no small farm loans during the evaluation period. Consumer lending was also excluded from this analysis since it accounts for a minor portion of the Bank's overall lending activity.

The Bank's Investment and Service activity was reviewed for the time period from the previous CRA evaluation, conducted by the Federal Reserve Bank of Boston on February 21, 2006, to the current evaluation.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Mercantile Bank and Trust Company, a wholly owned subsidiary of Mercantile Capital Corporation, a one-bank holding company, is a state chartered stock-owned institution. The Bank operates three full-service offices: its main office located at 61 Brookline Avenue in Boston, a branch office located at 423 Washington Street in Brighton, and a branch office at 1320 Washington Street in the South End of Boston.

As of December 31, 2010, the Bank's assets totaled \$167,379,000, total loans as of this date stood at \$157,212,000 or 93.9 percent of total assets. The Bank offers consumer and commercial checking, savings and loan products. However, the Bank is primarily a commercial lender. The Bank's niche product is taxi medallion lending categorized under commercial and industrial loans. This category of lending accounts for the highest portion of the Bank's loan portfolio at 56.4 percent. Refer to the following table for information on the composition of the Bank's loan portfolio:

<b>Table 1 - Loan Portfolio Composition</b>		
<b>Loan Type</b>	<b>Amount \$(000s)</b>	<b>Percent (%)</b>
Commercial & Industrial	88,692	56.4
Commercial Real Estate	43,019	27.3
Multi-Family	11,307	7.2
One to Four-Family Residential Mortgages	11,158	7.1
Equity Lines of Credit	1,856	1.2
Construction and Land Development	828	0.5
Consumer Loans	352	0.2
<b>Total Gross Loans</b>	<b>157,212</b>	<b>100.0</b>

*Source: December 31, 2011 Consolidated Report of Condition.*

There appears to be no significant financial or legal impediment which would limit the Bank's ability to help meet the credit needs of its assessment area.

The Bank was last examined for compliance with CRA on February 21, 2006 by the Federal Reserve Bank of Boston. That examination resulted in a CRA rating of "Outstanding." The Bank was last examined by the Division on February 26, 2004 with a resulting CRA rating of "Satisfactory."

### **Description of Assessment Area**

The CRA regulation requires that each financial institution delineate one or more assessment area(s) within which the institution's record of helping to meet community credit needs is evaluated. Because of the state boundary and the branch locations in New Hampshire and Massachusetts, the Bank is considered to have two assessment areas. This evaluation will focus on the Bank's Massachusetts assessment area. The assessment area includes the cities and towns in which the offices are located, and the municipalities which are substantially contiguous to branches located cities and towns. The delineation, which is reviewed periodically, is considered appropriate at this time.

The Bank defines its assessment area as the Cities and Towns of Boston, Arlington, Belmont, Brookline, Cambridge, Dedham, Lexington, Medford, Milton, Needham, Quincy, Somerville, Waltham, Watertown, Wellesley, Weston, Winchester and Woburn. The assessment area consists of 335 census tracts; of which 38 (11.3 percent) are designated as low-income; 101 (30.2 percent) as moderate-income; 115 (34.3 percent) as middle-income; 80 (23.9 percent) as upper income; and 1(0.3 percent) is NA.

## Description of Assessment Area (Continued)

The 2010 median family income (MFI), as estimated by the Department of Housing and Urban Development, is \$90,358. The annual HUD-adjusted median family incomes are based on 2000 US Census data and have been annually adjusted for inflation. Using data collected during the 2000 Census, the breakout of families by income level is as follows: 25.1 percent are low-income, 17.6 percent are moderate-income, 19.8 percent are middle-income, and 37.5 percent are upper-income.

### Housing

The following table displays some pertinent information on housing in the assessment area:

Table 2 - Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	House-holds	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	11.3	7.7	7.9	2.7	11.8	12.9	\$204,845
Moderate	30.2	30.2	30.3	20.3	38.4	30.4	\$209,000
Middle	34.3	36.2	36.0	40.6	32.6	31.1	\$251,330
Upper	23.9	25.9	25.8	36.4	17.2	25.6	\$421,489
NA	0.3	0.0	0.0	0.0	0.0	0.0	0
Total / Median	100.0	100.0	100.0	100.0	100.0	100.0	\$278,863

Source: 2000 U.S. Census

### Business Demographics

According to the data, the majority of businesses in the assessment area employ 1-4 individuals at 64.8 percent and 65.3 percent in 2009 and 2010, respectively. Of the non-farm businesses located within the Bank's assessment area, a substantial majority (90.6 percent) are single location businesses. According to 2009 business demographic data, the most significant percentage of businesses are within the Services industry under the Standard Industry Classification (SIC) system, at 50.5 percent. The top three industries represented by businesses within the assessment area are rounded off by Retail Trade at 11.7 percent and Non-Classifiable Establishments at 11.5 percent. Transportation, which captures taxi service, accounts for 3.4 percent.

In 2009, there were 141,980 non-farm businesses operating within the Bank's assessment area. Of these, 11.7 were located in low-income census tracts, 20.2 in moderate-income census tracts, 32.5 in middle-income census tracts and 35.6 percent were located in upper-income census tracts. By revenue size, 102,295 or 72.0 percent of these businesses had revenues under \$1 million; 8,763 or 6.2 percent reported revenues over a \$1 million; and 30,948 or 21.8 percent did not report revenues.

In 2010, there were 111,797 non-farm businesses operating within the Bank's assessment area. Of these, 10.9 were located in low-income census tracts, 19.6 in moderate-income census tracts, 32.9 in middle-income census tracts and 36.6 percent were located in upper-income census tracts. By revenue size, 81,669 or 73.1 percent of these businesses had revenues under \$1 million; 6,551 or 5.9 percent reported revenues over a \$1 million; and 23,577 or 21.0 percent reported revenues as NA.

## **Description of Assessment Area (Continued)**

### **Community Contact**

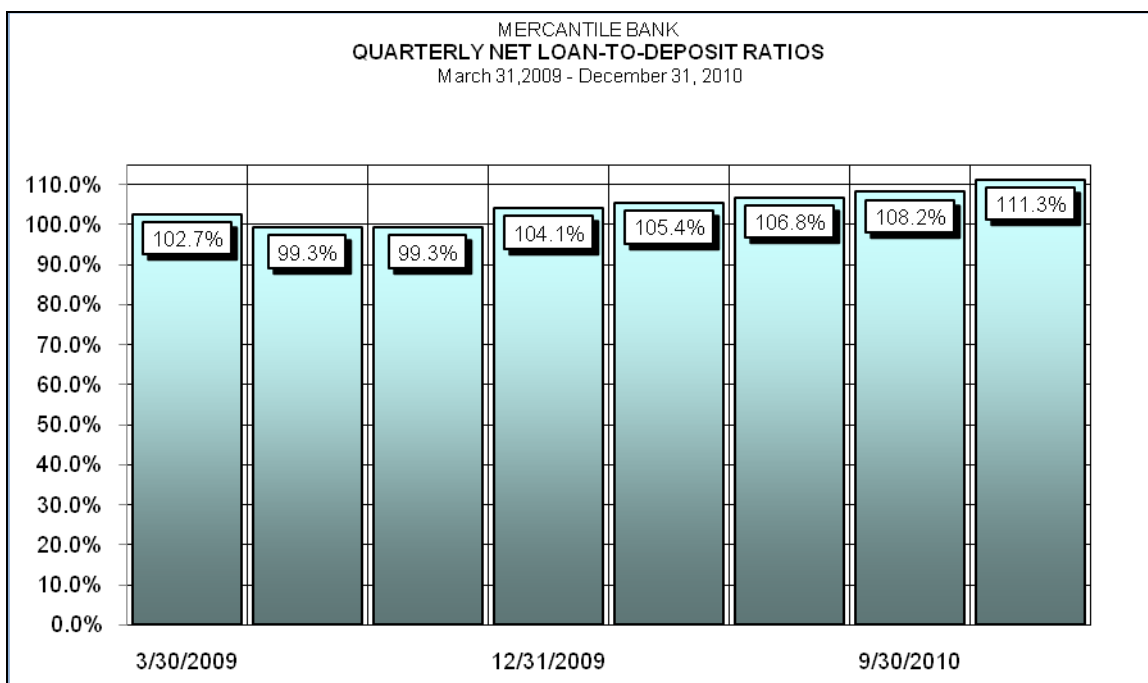
As part of the evaluation process, a third party, active in community affairs, is contacted to assist in assessing the housing and business needs of the Bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community and what further opportunities, if any, are available. Information was obtained from a community development financial institution that provides, among others, venture funds, new markets tax credits to low-income communities, and foreclosure relief to individuals. The contact spoke positively of the involvement of certain financial institutions and also expressed the pressing need to rescue minority neighborhoods facing foreclosures as a result of subprime loans. According to the contact, financial institutions could do more to assist families affected by the subprime lending to regain financial stability.

## PERFORMANCE CRITERIA

### LOAN-TO-DEPOSIT ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The loan-to-deposit (LTD) ratio is more than reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.

The average net LTD ratio for the past eight quarters was calculated at 104.7 percent. The Bank's LTD ratio as of December 31, 2010 was calculated at 111.3 percent, which was the highest ratio for the time period; the low LTD ratio for this period 99.3 percent, calculated in both June and September of 2009. The following graph depicts the net loan-to-deposit ratios for each quarter under review.



Despite some minor fluctuations, the Bank's LTD ratio increased overall from 102.7 percent as of March 30, 2009, to 111.3 percent as of December 31, 2010. The overall increase in the Bank's net LTD reflects the Bank's loan growth outpacing the growth in deposits. During the review period the Bank's net loans increased by \$28,396,000, or approximately 22.3 percent, while deposits increased by \$15,937,000 or 12.9 percent. The fluctuations may be attributed to the Bank's selling a portion of its taxi medallion loans. In 2009 and 2010, the Bank sold 39 of these loans totaling \$11,442,239.

The average net LTD ratios of four other institutions operating within the assessment area were evaluated in forming conclusions about the appropriateness of the Bank's LTD. Refer to the following table for further information:

Table 3 - Net Loan-to-Deposit Ratio Comparison - December 31, 2010		
Institution	Net Loan-to-Deposit Ratio	Asset Size (000's)
<i>Mercantile Bank and Trust</i>	<i>111.2%</i>	<i>\$167,379</i>
Northern Bank & Trust	110.4%	\$670,070
Meetinghouse Co-operative Bank	81.3%	\$63,279
East Boston Savings Bank	80.1%	\$1,173,927
Hyde Park Savings Bank	26.6%	\$910,271

As displayed in the table above, the Bank had the highest LTD ratio based on the December 31, 2010 CALL Report information.

## COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

A majority of the Bank's lending, both by number and dollar volume, were originated inside the assessment area.

The following table displays the Bank's small business and HMDA reportable lending inside and outside of the Bank's assessment area.

Table 4 - Distribution of Loans Inside and Outside of the Assessment Area										
Year	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total ('000's)
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Small business 2009	165	69.6	72	30.4	237	36,645	71.8	14,399	28.2	\$51,04
Small business 2010	139	63.5	80	36.5	219	32,381	71.1	13,189	28.9	\$45,570
<b>Total Small Business</b>	<b>304</b>	<b>66.7</b>	<b>152</b>	<b>33.3</b>	<b>456</b>	<b>69,027</b>	<b>71.4</b>	<b>27,588</b>	<b>28.6</b>	<b>\$96,616</b>
HMDA 2009	14	87.5	2	12.5	16	4,830	93.3	345	6.7	\$5,175
HMDA 2010	7	50.0	7	50.0	14	3,521	54.3	2,967	45.7	\$6,488
<b>Total HMDA</b>	<b>21</b>	<b>70.0</b>	<b>9</b>	<b>30.0</b>	<b>30</b>	<b>8,351</b>	<b>71.6</b>	<b>3,312</b>	<b>28.4</b>	<b>\$11,663</b>
<b>GRAND TOTAL</b>	<b>325</b>	<b>66.8</b>	<b>161</b>	<b>33.1</b>	<b>486</b>	<b>77,378</b>	<b>71.5</b>	<b>30,900</b>	<b>28.5</b>	<b>\$108,278</b>

In total, during the time period, the Bank made 456 small business loans totaling \$96,616,122. Of these, 304, or 66.7 percent, were made within the assessment area. In home mortgage lending, 21 of the 31 loans originated during the timeframe were also made within the Bank's assessment area.

Overall, a majority of the Bank's lending occurred within the assessment area resulting in reasonable performance.

## DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

Overall, the distribution of the Bank's small business loans by size of business and loan amount combined with the distribution of residential loans by borrower income is excellent.

### Small Business Lending

The Bank's small business loans were analyzed to determine the distribution among businesses of various sizes. Further analysis was performed using the dollar amount of the loan. This analysis assumes that the smaller the loan amount, the smaller the business receiving credit. Refer to the following tables for further information regarding the Bank's small business lending.

Table 5 - Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)								
Gross Annual Revenues (000s)	2009 Commercial Businesses	2009 Bank Data		2010 Commercial Businesses	2010 Bank Data		Bank Total	
	%	#	%	%	#	%	#	%
< \$1,000	72.0	161	97.6	73.1	134	96.4	295	97.0
> \$1,000	6.2	4	2.4	5.9	5	3.6	9	3.0
Revenues N/A	21.8	-0-	0.0	21.0	-0-	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>165</b>	<b>100.0</b>	<b>100.0</b>	<b>139</b>	<b>100.0</b>	<b>304</b>	<b>100.0</b>

Source: 2009 and 2010 bank small business lending records; 2009 and 2010 demographic data

The table above indicates the Bank is doing an excellent job in meeting the credit needs of businesses of different revenue sizes in the assessment area. As displayed, a vast majority of the Bank's small business lending was made to businesses of revenues under \$1 million. The Bank's performance exceeded demographic indicators in both years under review. As displayed, the Bank granted 97.6 percent of loans to businesses with gross annual revenues under \$1 million in 2009, compared to 72.0 percent of assessment area businesses in this revenue category. The Bank's performance remained strong in 2010, by originating 134 loans or 96.4 percent to businesses with revenues under \$1 million. The following table displays the Bank's distribution based on loan size.

Table 6 - Distribution of Small Business Loans by Loan Size						
Loan Size (000s)	2009 Bank Lending Data		2010 Bank Lending Data		Bank Total	
	#	%	#	%	#	%
≤ \$100	58	35.1	37	26.7	95	31.3
> \$100 ≤ \$250	46	27.9	38	27.3	84	27.6
> \$250 ≤ \$1,000	61	37.0	64	46.0	125	41.1
<b>Total</b>	<b>165</b>	<b>100.0</b>	<b>139</b>	<b>100.0</b>	<b>304</b>	<b>100.0</b>

Source: 2009 and 2010 bank small business lending records.

The majority of the Bank's small business loans were made in amounts of \$250,000 and below, at 63.0 percent in 2009 and 54.0 percent in 2010. Based on the above analysis, the Bank's dispersion of small business loans to business of different revenue sizes is excellent.

### ***Residential Real Estate Lending***

The distribution of the Bank's residential loans by borrower income is reasonable.

An analysis of residential loans originated within the assessment area was conducted in order to determine the distribution of lending by borrower income level. The following table breaks out the HMDA reportable loans the Bank originated in 2009 and 2010 categorized by the applicants' reported income in relation to the HUD-adjusted median family income for the respective year for the assessment area. The table also presents the Bank's performance in relation to aggregate lenders and the distribution of families within the assessment area.

Distribution of HMDA Lending by Borrower Income				
Borrower Income Level	% of Total Families	2009 Aggregate	2009 Bank	
			#	%
Low	25.1	3.7	1	7.2
Moderate	17.6	13.9	1	7.2
Middle	19.8	22.2	0	0
Upper	37.5	46.4	3	21.4
N/A	0	13.8	9	64.2
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>

Source: HMDA LAR Data, 2009 Aggregate Mortgage Data

As displayed in the table above, the Bank outperformed the 2009 aggregate in lending to low-income borrowers, while the Bank's percentage of loans to moderate-income borrowers was slightly below the aggregate data. Additionally in 2009, 9 loans or 64.2 percent were coded as "NA" for the borrower income. In 2010, all loans were reported as "NA." This code is used when the borrower is not a natural person, such as a business or trust. Given the commercial nature of the Bank, this is reasonable.

## GEOGRAPHIC DISTRIBUTION

The Bank's lending activity within its assessment area was reviewed in order to determine the distribution of lending among the various census tracts. Overall, the geographic distribution of the Bank's small business loans combined with the distribution of residential loans is excellent.

### *Small Business Lending*

The Bank's small business loans located within the assessment area were analyzed to determine their location by Census tract income level.

The following table displays the Bank's lending in relation to Census tract income level:

Table 8 - Distribution of Small Business Loans by Income Category of the Census Tract								
Census Tract Income Level	2009 % of Commercial Businesses	2009 Bank Lending Data		2010 % of Commercial Businesses	2010 Bank Lending Data		Bank Total	
	%	#	%	%	#	%	#	%
Low	11.7	5	3.0	10.9	9	6.5	14	4.6
Moderate	20.2	52	31.5	19.6	50	36.0	102	33.5
Middle	32.5	64	38.8	32.9	38	27.3	102	33.5
Upper	35.6	37	22.4	36.0	40	28.8	77	25.4
NA	0.0	7	4.2	0.0	2	1.4	9	3.0
Total*	100.0	165	100.0	100.0	139	100.0	304	100.0

Source: 2009 and 2010 Small business Bank lending records and 2009 and 2010 demographic data

The Bank's distribution of small business loans within low-income census tracts, by number, was below the percentage of businesses within those Census tracts in 2009. The Bank's performance increased in 2010. The Bank displayed an excellent penetration in lending within moderate-income census tracts in 2009 and 2010, exceeding demographic indicators in both years with a total of 33.5 percent of loans originated in those tracts, compared to just 20.2 and 19.6 percent of business in 2009 and 2010, respectively.

## GEOGRAPHIC DISTRIBUTION (CONTINUED)

### ***Residential Real Estate Lending***

The geographic distribution of the Bank's home mortgage lending is excellent.

The following table provides a breakdown, by number, of HMDA-reportable loans and compares the Bank's performance with the 2009 aggregate data and the percentage total of owner-occupied housing units within the assessment area for each of the census tract income categories.

Distribution of HMDA Lending by Census Tract				
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2009 Aggregate % of #	2009 Bank	
			#	%
Low	2.7	3.1	2	14.3
Moderate	20.3	17.9	8	57.1
Middle	40.6	40.0	4	28.6
Upper	36.4	39.0	0	0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>

*Source: HMDA LAR Data, 2009 Aggregate Mortgage Data*

The Bank's performance demonstrates an excellent dispersion in HMDA lending in low- and moderate-income census tracts. As displayed in the table above, the percentage of loans the Bank made in low-income tracts exceeded the aggregate's percentage (3.1 percent) of lending in low-income census tracts in 2009. The Bank's percentage, at 14.3 percent, was also well above the percentage of owner occupied housing units in those tracts. The Bank's performance remained strong in 2010, whereby 28.6 percent of loans were made in low-income census tracts. It is noted that the high percentage of lending is based on a very low level of overall lending.

## **FAIR LENDING POLICIES AND PROCEDURES**

The Division provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

## **MINORITY APPLICATION FLOW**

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants within its assessment area. For the period reviewed, the Bank received 1 application, or 4.2 percent, from a minority applicant which resulted in an origination.

Most (8 of 14) of the Bank's applications did not have the applicants reported race or ethnicity. As in the case of the HMDA analysis by borrower income, this is the result of the Bank's commercial focus, despite the applications being for a consumer purpose, a home mortgage loan, the borrowers are not a natural person and, therefore, the government monitoring information is not collected.

The very low level of total applications makes comparison the demographics or the aggregate meaningless.

## OPTIONAL EVALUATION OF INVESTMENTS AND SERVICES

The CRA regulation for small banks provides for the review of investments and services at the Bank's option. If conducted, this review would help to determine whether the Bank's performance, relative to providing qualified investments and services in support of community development initiatives, enhances the institution's overall CRA performance. Bank management opted for a review of investments and services. The following provides a summary of the Bank's performance in each of these areas.

### Investments

A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. A community development purpose includes: affordable housing for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, and activities that promote economic development.

The Bank has established a Social Responsibility Committee to identify areas of need in the community where the Bank can make a meaningful and quantifiable difference in improving the lives, well being, or economic condition of community residents and to oversee an appropriate allocation of Bank resources.

Since February 21, 2006, the Bank has provided \$128,434 in grants and donations, \$90,535, or 70.5 percent, were considered CRA qualified. For the partial years under review 2006 and 2011, qualified donations totaled \$5,500 and \$650, respectively.

During the full years under review, 2007, 2008, 2009 and 2010, the Bank contributed: \$4,075, \$6,892, \$36,719 and \$36,700, respectively. The Bank's CRA qualified donations represented, 0.71 percent, 0.70, 1.92 percent and 1.31 percent of the Bank's pretax net operating income, respectively. The dollar amount, as well as the increasing trend in the Bank's CRA contributions is considered very good. The following provides examples of some organizations that have benefited from the Bank's contributions:

- *Project Place*  
Project Place is a supportive community that promotes hope and opportunity for homeless and low-income individuals.
- *St. Francis House*  
This organization provides shelter and rehabilitation programs for the homeless.
- *United South End Settlements (USES)*  
The mission of USES is to build a strong community by improving the education, health, safety and economic security of low-income individuals and families in Boston's South End neighborhoods.
- *Crittenton Women's Union*  
This organization aims to break the cycle of poverty by developing new ways to help low-income women attain economic self-sufficiency.

## **Investments (Continued)**

- *Family Service of Greater Boston*  
Family Services of Greater Boston provides of family development and support services to Boston's poor and working poor families.
- *Washington Gateway Main Streets*  
This is a business development and neighborhood improvement organization whose mission is to develop and sustain the economic vitality of the commercial and residential neighborhoods along Washington Street in Boston's South End and Lower Roxbury neighborhoods.
- *Haley House*  
This organization provides such services as, skills training for the underemployed, housing for the homeless and working poor and economic development opportunities.

## **Retail Banking Services**

As previously noted, the Bank operates from three locations, one is located in a low-income census tracts and two are located in middle-income census tracts.

In addition to branch banking, Mercantile Bank and Trust Company offers various alternative delivery systems, which enhance both commercial and retail customer accessibility to services, regardless of their location. The Bank is a member of the NYCE Corporation Selective Surcharging Program, called SUM. SUM is a surcharge-free alliance of over 2500 Massachusetts ATMs. The SUM Program is designed to provide consumers with surcharge-free banking alternatives throughout a broad geographic area of the Commonwealth. Mercantile also offers comprehensive internet banking to its customers free of charge. The system allows customers to check account balances and deposits, see which checks have cleared, transfer funds between accounts, schedule future transfers, and view recent transactions. The Bank also does not charge for its bill pay service.

The Bank is approved as an agent of Vigo Remittance Corporation ("Vigo"). Vigo is the second largest privately held electronic fund transfer company in the United States. Remittance services can serve an important community need for many low- and moderate-income persons. The Bank made the decision to offer this service to its growing customer base of foreign decent as well as non-customers of the Bank. More traditional wire transfer vehicles often cannot reach the typically remote locations in such countries that an organization such as Vigo has the ability to reach. It indicates an innovative approach to meeting community needs.

## **Flexible Products and Programs**

Mercantile Bank offers the following lending and checking products to better serve the needs of its customers:

- *Small Business Administration (SBA)*  
The Bank is an active participating SBA lender. Loans backed by the Small Business Administration can be used for startup costs, equipment purchases, capital improvements and permanent working capital. SBA loans offer longer terms and lower down payments than conventional term loans, making them an affordable solution.

- *Totally Free Business Checking* - Mercantile Bank and Trust Company offers a competitive checking account to its business customers, the majority of which are small businesses. The account offers no monthly service charge, no minimum balance, and waives per check charge on the first 500 free monthly items. The account also offers free e-statements, and free online banking and bill pay services.
- *Non-Profit Free Interest Checking* – The Bank also offers a checking account targeted specially at non-profit organizations. This product is similar to the free business checking. It offers no monthly service charge, no minimum balance to earn interest, first 500 free monthly items and free e-statements.
- *Low Cost Consumer Checking* - Mercantile Bank and Trust Company offers low cost consumer checking products to meet a variety of needs.

### **Community Development Services**

In addition to the allocation of financial contributions, the Bank's Social Responsibility Committee aims to support the economic well being and economic development of its community through employee services. The Bank has taken a leadership role in providing financial education to the assessment area's "at risk" populations. During the examination timeframe, representatives of the Bank have spent an estimated 233 hours teaching the Money Smart Program to an approximated 338 individuals. The Money Smart Program was developed by the Federal Deposit Insurance Corporation (FDIC); it is a comprehensive financial education curriculum designed to help low- and moderate-income individuals outside the financial mainstream enhance their financial skills and create positive banking relationships. Participating individuals included: the Bank's President and CEO, a Senior Vice President, the Vice President of Business Banking, an Assistant Vice President, the Bank's Loan Operations Officer, a Commercial Loan Officer, the Bank's Loan Servicing Manager and an additional Loan Officer.

The Bank's staff has taught the Money Smart curriculum at the following organizations:

#### *Project Place*

Project Place is a supportive community that promotes hope and opportunity for homeless and low-income individuals by providing the skills, education and resources to obtain stable employment and housing.

#### *Center for Women & Enterprise (CWE)*

The Center for Women & Enterprise (CWE) is dedicated to helping women start and grow their own businesses. CWE's mission is to empower women to become economically self-sufficient and prosperous through entrepreneurship by offering education, training and technical assistance.

#### *American Red Cross*

The American Red Cross is a humanitarian organization led by volunteers. Through the Red Cross's Eastern MA chapter, Bank staff participated in financial literacy classes to women considered "at risk" due to unemployment and other financial burdens.

## ***General Definitions***

### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended requires all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 61 Brookline Ave, Boston MA 02215."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. The institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.